



## Interrogatories of Commission Staff

**TO:** Island Waste Management Corporation  
**FROM:** Cheryl Bradley, Senior Financial Advisor  
**DATE:** January 29, 2025  
**RE:** 2025 Rate Application  
**DOCKET:** WM01308

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1. In the application, IWMC proposes to increase Residential year-round, seasonal, and extended seasonal rates and includes a calculation of the proposed rate increase in both dollars and as a percentage. The proposed rate increases result in an increase greater than 10% for all three rate classes, which can be viewed as rate shock.
  - a. Does IWMC consider the proposed rate increase to be rate shock to their customers? If not, please provide justification why this does not constitute rate shock.
  - b. Has IWMC considered any alternative measures to mitigate the proposed rate increases? If so, what alternative measures have been considered or implemented?
2. IWMC has received government subsidies to offset the approved rate increases in 2021, 2022 and 2024. In section 14 of the application, IWMC states that if IRAC approves the proposed rate structure for 2025, customers could feel the cumulative impact of three rate increases at once. For year-round Residential customers, this represents a cumulative rate increase of 27% over 2020 rates.
  - a. Has IWMC had any discussion with the provincial government in terms of the financial impact to ratepayers experiencing a cumulative impact of three rate increases at once? If so, what was the result of those discussions?
  - b. Has the provincial government indicated if they intend to offset any or all of the proposed increase to customers?
  - c. Please confirm the rate charged directly to customers on their property tax bill in the 2024 year, and calculate the increase to customers if the proposed rates were approved and no government subsidies were received.

- d. What alternative measures have been considered or implemented to mitigate this impact to customers?
  - e. Have Commercial rates received any government subsidies to offset the increase in rates over the previous 3 rate periods? Please provide all details.
3. IWMC stated that the Consumer Price Index rose by 30% since 2015, but IWMC rates have only risen by 15% since 2015. Please provide data and source information for CPI calculations.
4. Section 4.0 - Revenue - IWMC discusses the various revenue streams and discusses IWMC's free drop off for large appliances, tires and bulk waste at WWDC. It also specifies that the free drop off programs are for residential customers and the costs of disposal are factored into residential rates.
  - a. How does IWMC ensure commercial customers are not taking advantage of these free drop off programs?
  - b. Commercial customers could have similar items to dispose of. How are the disposal costs associated with commercial customers accounted for and included in the commercial cost allocation pricing?
5. Section 5.0 - Expenditures - IWMC's expenditures and the method of allocation used in the cost allocation model are outlined in this section.
  - a. Has the method of allocation for the expenditures changed since the prior application?
  - b. If so, please identify which expenditure assumptions have changed and provide justification for the change.
  - c. A number of allocations are based on various employee's knowledge of the operations. Are the assumptions based on employee knowledge being reviewed annually?
6. Section 5.0 – Expenditures - As of the 2024 year, IWMC's previous residential waste & compost contracts have expired and IWMC has accepted new residential waste and compost contracts. These contracts have been awarded to GFL.

Additionally, the recycling contract expires in July 2025 and IWMC has negotiated a 3-year extension with GFL. Given that all residential waste, compost and recycling contracts have been awarded to one single company,

- a. Please explain the due diligence that was performed to ensure IWMC is receiving the best possible rate given all contracts have been awarded to one company.
- b. Has IWMC reviewed similar contract pricing in neighbouring jurisdictions to ensure reasonableness?

7. As noted above, IWMC recycling contracts with GFL are set to expire in June 2025 and IWMC has negotiated a 3-year extension.
  - a. Please explain how the extension was the best course of action to ensure quality service and minimize costs as compared to going out to tender for this service?
  - b. In section 5 of the application, IWMC indicates that a “significant change to the methodology and responsibility for the management and collection of recyclables is occurring across the country and may impact this province.” What significant changes to the methodology and responsibility for the management are expected?

8. In Section 8.0 – East Prince Landfill Retirement Obligation – IWMC indicated they intend to have a policy in place by March 31, 2025 to address setting aside funds annually to meet this obligation. Will this policy affect the proposed rates? Please explain.

9. Section 9.0 – Audited Financial Statements - Please confirm, the Household user fees per the financial statements include the amount charged to customers via the property tax assessments, refunds and adjustments, and the portion of the rate subsidized by the government grant. If this is incorrect, please provide further explanation.

Please provide the calculation to ensure the government subsidy equates to the difference between the approved rates and those charged to customers.

10. Section 9.0 – Audited Financial Statements - Order WM24-01 approved a 1% net asset balance contribution included in the rates, please provide a description of how this amount is accounted for in IWMC’s financial records.

Though the Commission approved a 1% net asset contribution, the net asset balance has continued to decline. Please explain why this has not resulted in the anticipated increase to the net asset balance as a means to allow IWMC sufficient working capital to address the uncertainties and irregularities of business and be well positioned to address other items.

11. Section 9.0 – Audited Financial Statements - IWMC has recorded an increase in cash and cash equivalents on their March 31, 2024 financial statements. What would IWMC consider a healthy cash and cash equivalents balance to properly manage the organization? Provide justification for the amount identified.

12. Section 9.0 – Audited Financial Statements - IWMC’s Consolidated Statement of Cash Flows indicates IWMC has purchased property and equipment of \$1,834,800, as well as made repayments of long-term debt of \$1,867,345. There was also no additional long-term debt acquired during the 2024 year. This represents a significant use of cash resources during the year.

- a. Please explain why IWMC considers it appropriate to use operating funds to purchase capital assets versus financing large capital purchases.
- b. Please explain how the current practice meets the goal of intergenerational equity.

13. Section 9.0– Audited Financial Statements - Note 11 to the audited financial statements reference a Commitment with PEI Energy Systems for waste processing dated August 8, 1995. This was a 30-year commitment expiring in August 2025.
  - a. Has there been a new agreement between IWMC and PEI Energy system for waste processing? If so, please provide a copy of the agreement.
  - b. In the absence of a new agreement, how will this affect IWMC's forecast and proposed rates?
14. Section 9.0 - Audited Financial Statements - There have been a number of expenditures vary as compared to the prior year. Please provide some comments and details related to the following expenditure variances:
  - a. Administration wages have increased approximately \$200,000;
  - b. Various repairs and maintenance accounts have increased significantly; and
  - c. Motor vehicle expenditures increased.
15. Section 9.0 – Audited Financial Statements- Have there been any significant changes to wages such as new agreements, new positions, etc? If so, please provide details.
16. Section 10.0 – Projected Statement of Operations 2024-25 - Please explain why the net income per Section 10's Project statement of operations for the year ended March 31, 2025 is different from the Projected March 31, 2025 forecast Excess Expenditures over Revenues in the Cost allocation analysis. Include detailed explanations for variances.
17. Section 10.0 – Projected Statement of Operations 2024-25 - The residential household user fee does not tie with the revenue calculated on page 30 of the application - Household revenue. Please explain the variance.
18. Section 10.0 – Projected Statement of Operations 2024-25 - The residential household user fee does not tie to the revenue calculated on page 31 – the Cost Allocation Analysis 2024-25. Please explain the variance.
19. Section 10.0 – Projected Statement of Operations 2024-25 - Disposal revenues projection for March 31, 2025 is approximately \$700,000 dollars higher than the budget. Please explain this variance.
20. Section 12.0 – Net Asset Balance - IWMC has indicated they have been experiencing expensive repairs and capital expenditures to replace failing and aged assets. IWMC also indicated these high costs are expected to continue through 2024-25 and beyond.
  - a. Provide a summary of the repairs and capital expenditures experienced in the current year, as well as forecasted in the cost allocation model.
  - b. Are there any expenditures expected but not included in the cost allocation model?

- c. What measures has IWMC undertaken to minimize the high repair costs and strategically plan future capital expenditures?
21. Section 12.0 – Net Asset Balance - On Table 3 Cash Flow for 5 Years 2020 to 2024 – The table indicates there have been significant capital purchases over the last 2 years (approximately \$2.8 million), but there have been no increases in long term debt to finance the capital purchases.
  - a. How were these expenditures purchased?
  - b. If cash on hand from operations was used to purchase these capital assets, why did IWMC determine it was appropriate to use cash on hand for significant capital purchases?
22. Section 12.0 – Net Asset Balance – IWMC has indicated “For the most part, capital debt has been used to finance long-term assets.” However, based on Table 3 – Cash Flow for 5 years 2020-2024, this is not the case. Over the 5-year period IWMC has purchased \$4.959 million in capital assets but only acquired \$252,000 of debt. Please explain.
23. Section 12.0 – Net Asset Balance (NAB) – Assuming the rates proposed by IWMC are approved, what are the forecast contributions to the NAB in 2025/2026 and in 2026/2027, and what is the forecast net asset balance as of March 31, 2025?
24. Section 13.0 – Projected Statements of Operations 2025-26 and 2026-27 – Based on these projections, can IWMC confirm if the proposed rates are approved, the rates would generate sufficient revenues to meet the projected expenditures for the next 2 fiscal years.
25. Section 13.0 – Projected Statement of Operations 2025-26 and 2026-27 - Given that IWMC has requested a rate increase for 4 of the last 5 years, has IWMC considered preparing a multi year application?
26. Section 15.0 - IWMC has indicated they have developed and approved a Capital plan.
  - a. Please provide a copy of IWMC’s capital plan, including how IWMC intends to finance the capital purchases.
  - b. Has the purchase of capital assets, depreciation of purchased assets and possible financing costs from the capital plan been included in the Cost allocation model forecast? If not, please explain why this was not considered. If so, please provide details of planned capital purchases, depreciation and financing costs.
27. Section 15.0 – IWMC indicated they have developed a 3-year IT modernization plan. Has this plan been included as part of the recently approved Capital plan?
  - a. If not, please provide a copy of the IT plan including how IWMC intends to finance the IT Modernization plan.

- b. Have the expenditures related to the IT Modernization plan (both operating and capital) been included in the Cost Allocation Model? If not, please explain why this was not considered. If so, please provide details of planned expenditures, depreciation and financing costs.
28. In its 2024 Rate Application, IWMC forecast the excess revenues over expenditures in FY2025/2026 to be (\$40,200) if the proposed rates and 1% net asset balance were approved.<sup>1</sup> The proposed rates and 1% net asset balance were approved by the Commission.<sup>2</sup> However, IWMC is now forecasting the excess revenues over expenditures in FY 2025/2026 to be (\$2,035,450).<sup>3</sup> Please explain the reason(s) for the variance. Include all supporting calculations and assumptions.

**Additional interrogatories may follow.**



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Prince Edward Island Regulatory & Appeals Commission

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<sup>1</sup> 2024 Rate Application, Docket WM01307, Exhibit I-3(a)

<sup>2</sup> Order WM24-01

<sup>3</sup> 2025 Rate Application, Docket WM01308, Exhibit I-1, Section 13.0, page 40